

Message Text

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E.O. 11652: GDS

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SUBJECT: US - CANADA TEXTILE CONSULTATIONS

GENEVA FOR PHELAN

1. CANADIAN - US TEXTILE TALKS. ON MARCH 8, UNITED STATES
AND CANADIAN TEXTILE OFFICIALS MET IN MONTREAL TO REVIEW
TEXTILE ISSUES OF MUTUAL INTEREST. THE CANADIAN DELEGATION
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'AS HEADED BY JAMES MCKINNERY, DIRECTOR, OFFICE OF SPECIAL
IMPORT POLICY, DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE,
AND INCLUDED PETER CLARK FROM THE DEPARTMENT OF FINANCE.
THE US DELEGATION WAS HEADED BY MICHAEL B. SMITH, CHIEF

TEXTILE NEGOTIATOR, OFFICE OF THE SPECIAL TRADE REPRESENTATIVE; ALAN POLANSKY, DEPUTY ASSISTANT SECRETARY, DEPARTMENT OF COMMERCE; IRVING KRAMER, DIRECTOR, OFFICE OF FOREIGN ECONOMIC POLICY, DEPARTMENT OF LABOR; AND CHARLES ANGEVINE, CHIEF, FIBERS AND TEXTILES DIVISION, DEPARTMENT OF STATE.

2. IMPOSITION OF GLOBAL QUOTAS. THE CANADIAN DELEGATION REPORTED THAT AS A RESULT OF THE RECESSION IN THE TEXTILE INDUSTRY IN CANADA THE TEXTILE AND CLOTHING BOARD HAD RECOMMENDED THE IMPOSITION OF GLOBAL QUOTAS ON SIX PRODUCTS. AFTER REVIEW OF THE TCB'S RECOMMENDATION; THE GOVERNMENT HAS DECIDED TO IMPOSE QUOTAS ON ACRYLIC SPUN YARN AND TO RETAIN THEM ON MEN'S SHIRTS. FOR BOTH PRODUCTS THE QUOTAS WILL APPLY ONLY TO IMPORTS BELOW A CERTAIN PRICE LEVEL. THE QUOTA ON ACRYLIC SPUN YARN, MOREOVER, IS LIMITED TO YARN WHICH IS MASS PRODUCED FOR MACHINE KNITTING. HOWEVER, THE QUOTA LEVELS BEING SET FOR THESE PRODUCTS WOULD AFFECT REDUCTIONS IN IMPORTS FROM PRINCIPLE SUPPLIERS. THE QUOTA ON YARN WILL PRINCIPALLY AFFECT KOREA, TAIWAN AND THE PHILIPPINES. KOREA, TAIWAN, AND HONG KONG ARE ALSO AMONG THE LEADING SUPPLIERS OF MEN'S SHIRTS TO CANADA. ACCORDING TO THE CANADIAN DELEGATION, THE CANADIAN GOVERNMENT DECIDED TO USE GLOBAL QUOTAS TO RESTRAIN IMPORTS OF THESE PRODUCTS BECAUSE OF THE DIFFICULTIES OF OBTAINING BILATERAL AGREEMENTS WITH ALL POTENTIAL SUPPLIERS.

3. CANADIAN POSITION ON TEXTILE RESTRAINTS UNDER GATT. THE GLOBAL QUOTAS WILL NOT BE IMPOSED UNDER AUTHORITY OF THE ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES (MFA) THE CANADIAN DELEGATION SAID. RATHER, THESE ACTIONS WERE BEING TAKEN UNDER AUTHORITY OF ARTICLE 19 OF THE GENERAL AGREEMENT ON TRADE IN TEXTILES. THE CANADIAN POSITION IS THAT ARTICLE 19 PERMITS DEROGATION OF THE FIRST ORDER FROM GATT OBLIGATIONS ON A NON-DISCRIMINATORY BASIS. ACTIONS TAKEN UNDER ARTICLE 19 WILL, IN CONFIDENTIAL

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ADDITION, BE SUBJECT TO RETALIATION OR COMPENSATION. THE CANADIAN DELEGATION POINTED OUT THAT UNDER ARTICLE 1 PARA 6 OF THE MFA THE IMPORTING COUNTRIES OF THE MFA EXPRESSLY RESERVE THEIR RIGHTS AND OBLIGATIONS UNDER THE GATT. IN THE CANADIAN VIEW, THE MFA PERMITS DEROGATION OF A SECOND ORDER FROM GATT OBLIGATIONS. THUS, UNDER THE MFA, RESTRAINTS OF A DISCRIMINATORY NATURE MAY BE TAKEN WITHOUT COMPENSATION. THE CANADIANS NOTED THAT THE U.S. HAD TAKEN ARTICLE 19 ACTIONS ON CARPETS AND ON FLAX AND LINEN.

4. US POSITION ON TEXTILE RESTRAINTS UNDER GATT. THE US ACKNOWLEDGED THE RESERVATION OF GATT RIGHTS AND

RESPONSIBILITIES BY MEMBERS OF THE MFA. DESPITE THIS RESERVATION, THE US BELIEVES THAT MFA MEMBERS LOOK TO THE MFA TO PROVIDE MINIMUM ASSURANCES THAT THEIR TEXTILE TRADE INTERESTS WILL BE PROTECTED. RESTRAINTS ON TEXTILE TRADE WHICH ARE NOT CONSISTENT WITH MFA CRITERIA WILL CONTRIBUTE TO A CLIMATE OF PROTECTIONISM AND REDUCE THE CONFIDENCE OF EXPORTING COUNTRIES IN THEIR ABILITY TO PROTECT THEIR TEXTILE INTERESTS WITHIN THE FRAMEWORK OF THE MFA. CANADA'S GLOBAL QUOTAS ARE BEING IMPOSED SHORTLY AFTER AUSTRALIA HAS ANNOUNCED TARIFF QUOTAS. SEVERAL NORDIC COUNTRIES AND AUSTRIA ARE REPORTEDLY CONSIDERING MEASURES BELIEVED TO BE INCONSISTENT WITH THE MFA. BECAUSE THE U.S. BELIEVES THE MFA PROVIDES THE BEST AVAILABLE MEANS FOR RECONCILING THE INTERESTS OF EXPORTING AND IMPORTING COUNTRIES, IT OPPOSES ACTIONS BY IMPORTING COUNTRIES WHICH DETRACT FROM THE MFA'S EFFECTIVENESS, PARTICULARLY SUCH AS THOSE PROPOSED BY CANADA WHICH FAIL TO MEET THE CRITERIA OF THE MFA.

5. CANADIAN CRITICISM OF MFA. THE CANADIANS ACKNOWLEDGED THAT RECOURSE TO THE GATT TO JUSTIFY TEXTILE IMPORT RESTRAINTS COULD WEAKEN SUPPORT FOR THE MFA AMONG EXPORTING COUNTRIES. THE CANADIAN'S PROBLEM IS THAT THE MFA IS NOT AS USEFUL AN INSTRUMENT TO SMALL IMPORTING COUNTRIES AS IT IS TO LARGE ONES. COMPREHENSIVE AGREEMENTS OF THE KIND NEGOTIATED BY THE U.S. UNDER ARTICLE 4 WON'T WORK IN A COUNTRY WHICH MUST IMPORT A WIDE RANGE OF TEXTILE PRODUCTS NOT PRODUCED IN THE COUNTRY. THE CONFIDENTIAL

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CANADIAN DELEGATION RECALLED THAT CANADA HAD SOUGHT AT THE TIME THE MFA WAS DRAFTED TO INCLUDE MORE EXPLICIT PROVISION FOR NEGOTIATED SELECTIVE AGREEMENTS. CANADA CONTENTS THAT ARTICLE 3 CONTEMPLATES MUTUALLY AGREEABLE SELECTIVE RESTRAINTS FOR WHICH A BONUS OF THE KIND PROVIDED BY THE US TO OBTAIN COMPREHENSIVE ARTICLE 4 AGREEMENTS IS UNNECESSARY. THE CANADIANS COMPLAINED THAT THE TEXTILE SURVEILLANCE BOARD ROUTINELY APPROVES US ARTICLE 4 AGREEMENTS WHILE EXAMINING AGREED ARTICLE 3 AGREEMENTS WITH THE CARE APPROPRIATE TO UNILATERAL ARTICLE 3 RESTRAINTS.

6. US POSITION ON MFA EXTENSION. THE US DELEGATION STATED THAT THE ISSUE OF THE MFA'S FUTURE HAD RECENTLY BEEN CONSIDERED BY A HIGH LEVEL INTER-AGENCY POLICY GROUP. THIS GROUP DECIDED THAT THE U.S. SHOULD SEEK THE EXTENSION OF THE MFA IN ITS PRESENT FORM FOR A MINIMUM OF THREE YEARS. THE USG IS AWARE OF THE INTEREST OF SOME ELEMENTS OF THE US INDUSTRY IN OBTAINING MORE EFFECTIVE PROTECTION THROUGH THE REDUCTION OF GROWTH RATES AND IN THE CASE OF THE EC INDUSTRY THE ADOPTION OF A RECESSION CLAUSE. IT IS THE VIEW OF THE USG THAT

EFFORTS TO MAKE THE MFA MORE RESTRICTIVE ARE NOT REALISTIC AND IF PURSUED WOULD ONLY ENCOURAGE LIBERALIZATION PRESSURES FROM EXPORTING COUNTRIES WHICH MIGHT LEAD TO SERIOUS DIVISION BETWEEN IMPORTING AND EXPORTING COUNTRIES. THE US DELEGATION EXPRESSED ITS HOPE THAT THE CANADIAN GOVERNMENT COULD PLAY AN ACTIVE ROLE IN SUPPORTING EXTENSION OF THE MFA.

7. CANADIAN POSITION OF MFA EXTENSION. THE CANADIAN DELEGATION SAID THAT CANADA WISHED TO SUPPORT THE US ON TEXTILE POLICY ANYWHERE IT CAN DO SO. THE CANADIAN GOVERNMENT UNDERSTANDS THAT THE MFA'S EXTENSION IS IMPORTANT TO THE USG ALTHOUGH LESS SO TO GOC BECAUSE OF EXISTING CANADIAN LAWS PERMITTING GOC TO TAKE RESTRAINT ACTIONS. IT EXPECTS THAT THE US WILL BE ABLE TO PERSUADE THE EEC AND JAPAN TO SUPPORT THE U.S. POSITION. CANADA'S POSITION IS TENTATIVE IN VIEW OF THE CURRENT REVIEW BY THE GOVERNMENT OF ITS TEXTILE POLICY BUT CANADA WOULD EXPECT TO SUPPORT THE U.S. BUT MIGHT NOT CONFIDENTIAL

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BE ACTIVE IN ITS SUPPORT. THE CANADIAN DELEGATION NOTED THAT AT THE PRESENT TIME CANADA WAS NOT PARTICULARLY INTERESTED IN MAKING ADDITIONAL CONCESSIONS TO ASSIST THE DEVELOPING COUNTRIES.

8. TIMING OF NEXT TEXTILE COMMITTEE MEETING. AT THE DECEMBER MEETING OF THE TEXTILE COMMITTEE IN GENEVA THE DIRECTOR GENERAL OF THE GATT, MR. OLIVIER LONG, SAID THAT HE THOUGHT AN EARLY SUMMER MEETING OF THE TEXTILE COMMITTEE TO PREPARE FOR THE MAJOR REVIEW OF THE MFA LATER IN THE YEAR WOULD BE APPROPRIATE. THE US DELEGATION REPORTED THAT AT A MEETING IN WASHINGTON IN FEBRUARY LONG HAD WONDERED WHETHER THE DISPUTE BETWEEN PAKISTAN AND THE COMMON MARKET ABOUT THE RESIDUAL UNILATERAL RESTRAINTS MIGHT NOT MAKE A MEETING AT THAT TIME COUNTER-PRODUCTIVE. THE CANADIAN DELEGATION SAID THAT FURTHER DELAY IN PREPARATION OF THE MAJOR REVIEW, GIVEN THE TIME NECESSARY FOR THE PREPARATION OF THE NECESSARY ADMINISTRATIVE WORK, COULD RESULT IN POSTPONEMENT OF CONSIDERATION OF THE MFA EXTENSION INTO 1977. SUCH POSTPONEMENT WOULD ALMOST CERTAINLY RESULT IN UNCERTAINTY ABOUT THE MFA'S RENEWAL WHICH COULD CAUSE A BUILD-UP IN RESTRICTIONIST PRESSURES BEYOND THE ABILITY OF GOVERNMENTS TO CONTROL. THE CANADIAN DELEGATION SUGGESTED THAT A LATE JUNE MEETING OF THE GATT TC TO PREPARE FOR THE MAJOR REVIEW WOULD BE MORE TIMELY. THE US DELEGATION STATED THAT IT CONCURRED IN THE CANADIAN APPRAISAL OF THE LIKELY CONSEQUENCES OF DELAYING A TC MEETING UNTIL THE FALL AND THANKED THE CANADIAN DELEGATION FOR ITS WILLINGNESS TO SUPPORT THE U.S. ON THIS ISSUE. THE TWO DELEGATIONS AGREED THAT

SHOULD THE TC MEETING BE SCHEDULED FOR LATE JUNE, AN EARLIER JUNE MEETING BETWEEN THE TWO DELEGATIONS MIGHT BE USEFUL.

9. PRC - CANADIAN TEXTILES TRADE ARRANGEMENTS. THE CANADIAN DELEGATION SAID THAT ITS TEXTILE TRADE ARRANGEMENTS WITH THE PRC DATED BACK TO 1963. AT THAT TIME CANADA OBTAINED COMMITMENTS FROM THE PRC TO CONTROL EXPORTS OF TEXTILES AND OTHER PRODUCTS IN EXCHANGE FOR CANADIAN COMMITMENTS TO PROVIDE WHEAT TO THE PRC. THE CONFIDENTIAL

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CANADIAN DELEGATION SAID THAT IN 1973 FOLLOWING THE EXPIRATION OF THE EARLIER AGREED RESTRAINTS THE PRC HAD VOLUNTARILY LIMITED SHIPMENTS TO THE LEVELS REQUESTED BY CANADA. SUBSEQUENTLY, THE PRC HAS CONCLUDED A MEMORANDUM OF UNDERSTANDING IMPOSING RESTRICTIONS ON PRC EXPORTS OF TEXTILES TO CANADA. THE PRC AGENCY INITIALING ON THE MEMORANDUM IS A TEXTILE IMPORTING AND EXPORTING CORPORATION (CHINATEX). CANADA HAS HAD SOME PROBLEMS THROUGH THE YEARS WITH PRC OVERSHIPMENTS OF AGREED LEVELS BUT ATTRIBUTES THE OVERSHIPMENTS PRIMARILY TO LACK OF EFFECTIVE CONTROL RATHER THAN DELIBERATE VIOLATION OF THEIR AGREEMENT. KISSINGER

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